

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application for:

Alden J. Blowers

Serial No. 10/678,326

Filed: October 3, 2006

For: METHOD FOR PROVIDING
COMPREHENSIVE ACH VENDOR
SERVICES

Examiner: Paul W. Shumate

Art Unit: 3693

Confirmation No. 2584

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APPEAL BRIEF

The Appellant submits the following Appeal Brief pursuant to 37 C.F.R. § 41.37(c) for consideration by the Board of Patent Appeals and Interferences. The Appellant authorizes the amount of \$540.00 to cover the cost of filing the opening brief as required by 37 C.F.R. § 1.17(f) to be charged to Deposit Account No. 02-2666.

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I. REAL PARTY IN INTEREST

Alden J. Blowers is named as the inventor on the Application. Thus, as the owner at the time the brief is being filed, Alden J. Blowers is the real party in interest.

II. RELATED APPEALS AND INTERFERENCES

There are no other appeals or interferences that will directly affect, be directly affected by or have a bearing on the Board's decision in this Appeal.

III. STATUS OF CLAIMS

Claims 1-22 are currently pending, and claims 1-22 are rejected in the Application.

IV. STATUS OF AMENDMENTS

No amendments were submitted by the Appellant after the Office Action mailed October 7, 2010.

V. SUMMARY OF THE CLAIMED SUBJECT MATTER

Claim 1 recites a method comprising receiving at least one ACH transaction by a computer system executing a payroll ACH service from a payroll vendor for a client of the payroll vendor, the payroll ACH service provided by a payroll ACH service provider that is separate from the payroll vendor (see Fig. 2, Fig. 7, item 701, page 4, line 24 – page 5, line 2 and page 21, lines 8-15); verifying the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider, the verifying including error checking of the at least one ACH transaction by the computer system (see Fig. 2, Fig. 7, item 703, page 21, lines 8-15); executing the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider (see Fig. 2, Fig. 7, item 707, page 21, lines 16-20); and limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll ACH service of the payroll ACH service provider (Fig 2, item 201, Fig. 4, Fig. 7, item

705, page 7, line 21 – page 11, line 15).

Claim 4 recites a method of claim 1, further comprising forecasting available funds for an account (Fig. 2, item 229, page 19, lines 5-20).

Claim 5 recites a method of claim 4 further comprising establishing predetermined types of investment objectives (page 19, line 20 - page 20, line 11).

Claim 6 recites a method of claim 4 further comprising investing available funds based on forecasted availability (page 19, line 5 - page 20, line 11).

Claim 8 recites a method of claim 1, wherein the verification of the at least one ACH transaction includes comparing year to date transaction data (page 6, lines 1-23).

Claim 11 recites a method of claim 1 further comprising testing files for one of an additional client and missing client (page 6, lines 1-23).

Claim 14 recites a method of claim 1 further comprising using a double entry accounting system in processing transactions (page 12, line 25 – page 13, line 19, page 17, line 29 – page 18, line 9).

Claim 15 recites a method of claim 1 further comprising contracting directly with the client by the service provider (page 10, line 27 – page 11, line 3, page 11, line 27 – page 12, line 15).

VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

The issues involved in this Appeal are as follows:

- A. Rejection of Claims 1-3, 5, 6, 8-13, 15-17, 19 and 22 under 35 U.S.C. § 103(a)
Based on Gates and Alexander

- B. Rejection of Claims 5 and 6 under 35 U.S.C. § 103(a) Based on Gates, Alexander and Crapo
- C. Rejection of Claim 14 under 35 U.S.C. § 103(a) Based on Gates, Alexander and Marks

All of the claims do not stand or fall together. The basis for the separate patentability of the claims is set forth below.

VII. ARGUMENT

A. Rejection of Claims 1-3, 5, 6, 8-13, 15-17, 19 and 22 under 35 U.S.C. § 103(a) Based on Gates and Alexander

The Examiner has rejected claims 1-3, 5, 6, 8-13, 15-17, 19 and 22 under 35 U.S.C § 103(a) as being unpatentable over U.S. Patent No. 6,411,938 issued to Gates (hereinafter “Gates”) in view of “Strategic Outsourcing” by Alexander, Marcus and Young (hereinafter “Alexander”). The Appellant respectfully requests reversal of these rejections because the cited references do not teach or suggest all the claim limitations.

1. Claims 1-3, 7, 10, 12, 13, and 16-22

a) Claims 1-3, 7, 10, 12, 13, and 16-22 are not obvious at least because Gates and Alexander do not disclose each of the elements of the claims.

Claim 1 includes the elements of “limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll ACH service of the payroll ACH service provider.” The Examiner relies on Gates as allegedly disclosing these elements of claim 1. Specifically, the Examiner cites column 9, lines 45-61 and column 11, lines 33-49 of Gates as disclosing these elements of claim 1. See page 3 of the Office Action mailed October 7, 2010 (“Office Action”). The Examiner further states that

Gates teaches establishing an exposure limit for each client when making tax payments and direct deposits on behalf of the client. If a limit is exceeded, then no direct deposits from the current payroll will be paid by the service provider and either a rejection notice will be delivered to the client or payment for the direct deposits will be made directly from the client's own bank account. This limits the service provider's risk when making payments, and therefore assuming liability, on behalf of a client.

See pages 3 and 4 of the Office Action. This is essentially a paraphrase of the disclosure of Gates at column 9, lines 45-61. However, the Examiner has not alleged that the cited sections disclose all of the recited elements. Specifically, the cited sections of Gates and the Examiners statements regarding supporting the rejection of these elements make no mention of the elements of "providing ... *control of the ACH transaction execution to the payroll vendor through the payroll ACH service of the payroll ACH service provider.*"

The cited sections of Gates make no mention of any provision of control over ACH transaction execution to a vendor by the ACH service provider. The risk limitation discussed in the cited section of Gates relates to enforcing limits by rejecting transactions by the payroll provider, where the payroll provider is the entity executing the ACH transactions. There is no control provided over the processing of ACH transactions directly or indirectly to any entity other than the payroll provider. The same limitations are applied across the board by the payroll provider giving no choice to any entity other than the payroll provider. Therefore, the Examiner has not identified any part of Gates that discloses the provision of control over ACH transactions to payroll vendors by ACH service providers.

Alexander has not been relied upon to cure these deficiencies of Gates. The combination of Gates and Alexander is in relation to the application of the concept of outsourcing to Gates to shift the payroll processing activities from a payroll vendor to an ACH service provider. This is generally discussed at greater length herein below. In regard to these elements of claim 1, this

reconfiguration of Gates based on Alexander still does not disclose the provision of control over ACH transactions to another entity, much less by an ACH service provider to a payroll vendor. Combining Alexander with Gates has not been shown to cure this defect of Gates presented here as the primary reference.

Claim 20 includes elements analogous to those of claim 1 including “determining a risk management scheme for the ACH related data to protect the payroll vendor by a computer system of the payroll ACH service provider, the risk management scheme including a balance check for the ACH related data of the client and a control interface to view error and balance data and to execute corresponding ACH transactions.” Thus, at least for the reasons mentioned above in regard to independent claim 1, this claim is not rendered obvious over Gates and Alexander.

Dependent claims 1-3, 7, 10, 12, 13, and 16-22, depend from independent claims 1 and 20 and thus incorporate the respective limitations thereof. For at least the reasons presented above for independent claims 1 and 20, the cited references fail to teach or suggest all the limitations of these dependent claims. Reversal of these rejections is respectfully requested.

b) Claim 1-3, 7, 10, 12, 13, and 16-22 are not obvious at least because the secondary consideration of commercial success rebuts the alleged *prima facie* case of obviousness

The Applicant submits herewith a Declaration under 37 C.F.R. § 1.132 to rebut the Examiner’s alleged *prima facie* case of obviousness. The Declaration is from Alden Blowers, C.E.O. of Cache Banq who is inventor and owner of the present application. The Declaration submitted herewith asserts that the commercial success of the inventor’s product that encompasses all of the elements of the present claims is evidence that the claims are not obvious

over the cited references. See MPEP §§716.03 and 716.06. The Applicant asserts that the Declaration and accompanying evidence support the position that it is not obvious to combine the cited references to obtain the recited claim subject matter.

The Applicant notes that the graphs in the Exhibits B-E are separated into two sets of graphs with one set covering the years 2004-2008 and the second set covering the years 2008-2010. Please note that the years 2004-2008 in the first set of graphs have a fiscal year January 1 – December 31, while the second set of graphs for 2008 – 2010 have a fiscal year of July 1 – June 30. Cachet Banq switched accounting methods in 2008, which accounts for this change. However, we believe it remains clear that the overall year to year trend remains positive even during the recent economic downturn.

The Applicant believes that the Declaration, which is accompanied by Exhibits provides evidence that is of probative value to the non-obviousness of the claimed invention and thus rebuts the *prima facie* case of obviousness. The Applicant requests that the Board consider *Pro-Mold and Tool Co. v Great Lakes Plastic Inc.*, 37 USPQ2d 1626 (Fed. Cir. 1996) in which the court stated that “Pro-Mold’s lack of previous experience in the relevant market combined with its high sales of the patented product provided inference of a nexus between its commercial success and the patented invention and are thus probative evidence of non-obviousness.” *Pro-Mold and Tool Co. v. Great Lakes Plastic Inc.*, at 1630. Further, the Court states that Pro-Mold’s “lack of market power in this field would seem to suggest that it was features of the patented invention that lead to the commercial success.” *Id.* at 1630.

The Applicant believes that the facts of their case are analogous to that of Pro-Mold’s case. Cache Banq is a relatively new market entrant with the FLEXACH® service and did not

have any market power at the time it was introduced. Cachet Banq has had a minimal marketing campaign for FLEXACH® including little more than a basic website. Rather, it is well known that the payroll services market is dominated by ADP, Paychex and Ceridian, which do not offer products with the features set forth in the claims including the third party payroll ACH service provider and payroll vendor separation. Further, these features that distinguish Cache Banq's product FLEXACH® are recited in the claims of the application giving the commercial success a nexus with the claims. Thus, the success of FLEXACH® is tied to the claimed features of the present application and therefore probative of non-obviousness of the claimed invention.

The Examiner refused to give consideration or weight to the evidence of non-obviousness based on commercial success provided by the Appellant. The Examiner raised the same issues that had been raised regarding a previously submitted Declaration. The Appellant has repeatedly requested clarification from the Examiner as to what would be considered sufficient to establish commercial success for the claimed invention and were essentially told that establishing commercial success as a secondary consideration rebutting an obviousness rejection was impossible, which is contrary to an established line of Federal Circuit caselaw that establishes commercial success as a secondary consideration that can rebut an obviousness rejection as set forth in MPEP § 716.03.

The Examiner asserts that the Declaration "does not show that the claimed features were responsible for commercial success." See page 16 of the Office Action. However, the Examiner ignored the direct evidence that the claimed features were responsible for the commercial success provided in the form of customer survey data where 100% of the customers participating in the survey indicated that the claimed features were the reason that they selected the FLEXACH® product that includes these features of the claimed invention. See Exhibit A and

items 5 and 7 of the Declaration. This is directly probative of the source of the commercial success. However, the Examiner did not take this into consideration in refusing to give the commercial success of the invention weight.

Further, the Appellant directly addressed the issue of other possible causes of commercial success in item 7 of the Declaration. The Appellant has set forth that the product for which commercial success has been established does not have other advantages that distinguish it from competitor's products in terms of features. Also, the product has not benefited from any significant marketing and the company itself is a small player in its field competing with large companies with significant advantages in resources and reputation. As discussed above, Cache Banq is a new market entrant with this FLEXACH[®] product. Thus, there is no discernable basis for denying that the commercial success is due to the claimed features. The Examiner has offered no grounds for discounting the evidence presented by the Declaration and has failed to give the support for the nexus between the claims and commercial success proper consideration.

The second ground for discounting the Declaration establishing commercial success is the allegation that “[g]ross figures do not show commercial success absent evidence as to market share or as to what sales would normally be expected in the market.” As was discussed with the Examiner, market share information does not exist for this product as it is unique and has no direct competition. General payroll services are dominated by large players such as ADP, Paychex and Ceridian. Competing with such dominant companies and products and having any growth or revenues at all in this field is akin to an operating system launched by a small company having success in sales and growing revenues against Microsoft and Apple. A company cannot launch a product into such a market without some clear advantage in features, which Appellant has in the form of the claimed invention and which, as set forth above, the Appellant has shown is directly

tied to the commercial success of the product. Therefore, when the evidence is considered in its totality and in light of the *Pro-Mold* decision, the Appellant believes that the evidence rebuts the alleged *prima facie* case of obviousness.

The Appellant notes that the alleged case for a *prima facie* case of obviousness is based entirely on a very broad application of outsourcing to a very specific problem. The reference Alexander provides no specific guidance related to the reorganization of ACH processing services providing at best a very tenuous grounds for obviousness that is outweighed by the rebutting evidence in the form of the Declaration and supporting documentations.

Claim 20 includes elements analogous to those of claim 1. Thus, at least for the reasons mentioned above in regard to independent claim 1, this claim is not rendered obvious over Gates and Alexander in view of the secondary considerations. Dependent claims 1-3, 7, 10, 12, 13, and 16-22, depend from independent claims 1 and 20 and thus incorporate the respective limitations thereof. For at least the reasons presented above for independent claims 1 and 20, the secondary considerations rebut the alleged obviousness of these dependent claims

Accordingly, it is requested that the obviousness rejection of claims 1 and 20 and the dependent claims be reversed.

2. Claim 4

a) Claim 4 depends from patentable claim 1.

Claim 4 depends from independent claim 1 and thus incorporates the limitations thereof. For at least the above reasons regarding independent claim 1, the cited references do not teach or suggest all the limitations of this dependent claim. Thus, the Appellant respectfully requests that these rejections be reversed. Further, the Appellant believes that this claim is separately

patentable for the reasons below.

b) Claims 4 is not obvious at least because the combination of Gates and Alexander fails to teach or suggest forecasting available funds for an account.

Dependent claim 4 additionally recites “forecasting available funds for an account.” The Appellant respectfully submits that these elements of claim 4 are not disclosed by the combination of Gates and Alexander.

The Examiner cites column 9, lines 45-58 of Gates to allegedly disclose these elements of claim 4. See Office Action, page 6. Specifically, the Examiner argues that these sections of Gates disclose an “exposure limit” that “by definition, is the maximum amount an originator is allowed to originate which can be based on the originator’s credit rating, historical or predicted funding requirements, and the type of obligation.” See Office Action, page 6. No citation is provided for the source of this definition. In contrast, the cited section states “an exposure limit [is] established by the payroll service to limit its financial exposure when making tax payments and direct deposits on behalf of an employer.” See Gates, column 9, lines 46-48. The cited section of Gates further describes an example where exposure limits are set by the payroll service as a threshold that if received direct deposits exceed, then they are not processed. See Gates, column 9, lines 48-56. There is no indication in Gates of the payroll service performing any forecasting to obtain this threshold value, to the contrary, the threshold value appears entirely selected independent of any information about the employer.

Further, this threshold value is a check against an amount of deposits of deposits and tax payments, not a check against any account balance current or projected. In other words, it would be clear to one skilled in the art from the description of exposure limits in column 9, lines 45-58

of Gates that the exposure limits are thresholds set at an amount that is a maximum that a payroll service is willing to risk on behalf of any client over a given time period regardless of any amount of money that this client may have in any account. Thus, the relied upon reference does not disclose the recited elements of claim 4 including a forecast of an account balance and the rejection is based entirely on the Examiner's proffered definition, which is inapposite as it is contrary to the clear disclosure of the reference.

The Examiner has not relied upon and the Appellant cannot discern any part of Alexander that would cure these defects of Gates. Therefore, the Examiner has failed to establish a *prima facie* case of obviousness for claim 4. Accordingly, it is requested that the obviousness rejection of claim 4 be reversed.

3. Claim 8

a) Claim 8 depends from patentable claim 1.

Claim 8 depends from independent claim 1 and thus incorporates the limitations thereof. For at least the above reasons regarding independent claim 1, the cited references do not teach or suggest all the limitations of this dependent claim. Thus, the Appellant respectfully requests that these rejections be reversed. Further, the Appellant believes that this claim is separately patentable for the reasons below.

b) Claim 8 is not obvious at least because the combination of Gates and Alexander fails to teach or suggest verifying year-to-date transaction data.

Dependent claim 8 additionally recites "wherein the verification of the at least one ACH transaction includes comparing year to date transaction data." The Appellant respectfully

submits that these elements of claim 8 are not disclosed by the combination of Gates and Alexander.

The Examiner cites column 9, lines 13-24 of Gates to allegedly disclose these elements of claim 8. See Office Action, page 7. Specifically, the Examiner argues “[t]o ensure that all previous payroll transactions are properly reflected in the current payroll data, year to date data from previous payrolls would have to be compared to the year to date data of the current payroll.” See Office Action, page 7. However, the cited section makes no mention of using year-to-date transaction data or making any comparisons to such data. The Examiner argues that the use and comparison to year-to-date transaction data would be necessary to carry out verification, which is an acknowledgement it isn’t directly discussed. Thus, the Examiner relies on an alleged inherent disclosure of Grant.

"To establish inherency, the extrinsic evidence 'must make clear that the missing descriptive matter is necessarily present in the thing described in the reference, and that it would be so recognized by persons of ordinary skill. Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.' " *In re Robertson*, 169 F.3d 743, 745, 49 USPQ2d 1949, 1950-51 (Fed. Cir. 1999) and MPEP § 2112. In this case, the Examiner has not established that Gates necessarily performs this function. The disclosure, in fact, appears to indicate the contrary. When data is not considered to be up to date on the client computer 102, archived data is sent to the client computer 102 by the payroll computer 120 where the data sent to the client computer covers the time from the receipt of the last valid payroll to the current payroll. See Gates column 9, lines 20-24. Thus, a check of only the validity of the data since the last valid payroll would need to be performed, not a year-to-date transaction comparison, since the payroll computer 120

is only going to send data covering the period back to the last valid payroll. Gates does not necessarily function as is alleged to be inherent by the Examiner and therefore, the Examiner cannot rely on inherent disclosure in Gates to render these elements of claim 8 obvious.

The Examiner has not relied upon and the Appellant has been unable to discern any part of Alexander that cures these defects of Grant. As a result, Grant in view of Alexander does not render each of the elements of claim 8 obvious. Accordingly, it is requested that the obviousness rejection of claim 8 be reversed.

4. Claim 9

a) Claim 9 depends from patentable claim 1.

Claim 9 depends from independent claim 1 and thus incorporates the limitations thereof. For at least the above reasons regarding independent claim 1, the cited references do not teach or suggest all the limitations of this dependent claim. Thus, the Appellant respectfully requests that these rejections be reversed. Further, the Appellant believes that this claim is separately patentable for the reasons below.

b) Claim 9 is not obvious at least because the combination of Gates and Alexander fails to teach or suggest assuming liability by the payroll ACH service provider of liability for non sufficient fund returned items on behalf of the payroll provider

Dependent claim 9 additionally recites “assuming liability by the payroll ACH service provider of liability for non sufficient fund returned items on behalf of the payroll provider.” The Appellant respectfully submits that these elements of claim 9 are not disclosed by the combination of Gates and Alexander.

The Examiner cites column 11, lines 33-39 of Gates to allegedly disclose these elements of claim 9. See Office Action, page 8. Specifically, the Examiner argues Gates teaches “making appropriate ACH transactions on behalf of a client using the service provider’s bank account and then initiating a funds collection process where transaction reimbursement funds are collected from the client.” See Office Action, page 8. However, the cited section of Gates makes no mention of handling non sufficient fund returned items. The Examiner omits that the collection process of Gates is carried out by ACH transaction (where the payroll provider “initiates a funds collection process to collect these funds from employer’s bank account via the ACH”). Thus, the payroll provider is not assuming any liability on behalf of the employer, because the payroll provider is immediately collecting the funds via ACH from the employers account. To assume liability the payroll provider, after making an ACH transaction from its own account, would not collect funds without first verifying the accounts could cover the cost and in the situations where they could not, the payroll provider would not execute the ACH transaction from employer’s account to avoid the non sufficient fund return on the employer’s account.

Further, column 11, lines 39-49 discuss a scenario where there is insufficient time to verify that sufficient funds are in the employer’s account. In this scenario, the payroll provider nonetheless carries out the ACH transaction on the employer’s account and in “this way, the employer is responsible if there are insufficient funds to pay the tax liability.” See column 11, lines 38 and 39. Therefore, it is clearly the goal of Gates to avoid shifting liability from the employer to the payroll provider, contrary to the Examiner’s reliance on Gates for the opposite position.

In addition, the claims are directed to shifting liability from a payroll vendor to an ACH service provider, which is entirely undisclosed by Gates. The Examiner’s reliance on Alexander

for generic outsourcing does not cure this defect of Gates. Clearly, as set forth above, Gates does not disclose providing a service for assuming liability. Thus, outsourcing the services of Gates to another entity would not include such a shifting of liability as it is not a service offered by Gates, and in fact Gates teaches avoiding such liability. Therefore, Gates combined with Alexander does not render obvious each of the elements of claim 9. Accordingly, it is requested that the obviousness rejection of claim 9 be reversed.

5. Claim 11

a) Claim 11 depends from patentable claim 1.

Claim 11 depends from independent claim 1 and thus incorporates the limitations thereof. For at least the above reasons regarding independent claim 1, the cited references do not teach or suggest all the limitations of this dependent claim. Thus, the Appellant respectfully requests that these rejections be reversed. Further, the Appellant believes that this claim is separately patentable for the reasons below.

b) Claim 11 is not obvious at least because the combination of Gates and Alexander fails to teach or suggest testing files for one of an additional client and missing client

Dependent claim 11 additionally recites “testing files for one of an additional client and missing client.” The Appellant respectfully submits that these elements of claim 11 are not disclosed by the combination of Gates and Alexander.

The Examiner cites column 9, lines 25-29 of Gates to allegedly disclose these elements of claim 11. See Office Action, page 8. Specifically, the Examiner argues Gates teaches testing for a missing client, stating “Gates teaches verifying a client’s PIN and ID against a stored list to determine if the transmitted data is from a currently registered client.” See Office Action, page

8. However, the PIN and ID are not checked to determine whether clients are missing, rather the PIN and ID are checked to determine if they are valid or current to determine whether submitted payroll information is to be accepted and log on is permitted. See column 9, lines 25-38.

There is no indication that the payroll information submitted with the PIN and ID are checked for missing or additional clients for a payroll vendor. In fact, since this payroll information is for a single employer, there is by definition only a single client's information involved. The payroll employer of Gates does not receive payroll information for multiple clients at one time, thus, there is no reason for it to check the payroll information to determine whether there are missing clients or additional clients as this is an error that is specific to the circumstances of the Appellant's invention, where payroll vendors are submitting data files containing information for multiple clients to the ACH service provider.

The Examiner has not relied upon and the Appellant is unable to discern any part of Alexander that would cure these defects of Gates. Therefore, Gates combined with Alexander does not render obvious each of the elements of claim 11. Accordingly, it is requested that the obviousness rejection of claim 11 be reversed.

5. Claim 15

a) Claim 15 depends from patentable claim 1.

Claim 15 depends from independent claim 1 and thus incorporates the limitations thereof. For at least the above reasons regarding independent claim 1, the cited references do not teach or suggest all the limitations of this dependent claim. Thus, the Appellant respectfully requests that these rejections be reversed. Further, the Appellant believes that this claim is separately patentable for the reasons below.

b) Claim 15 is not obvious at least because the combination of Gates and Alexander fails to teach or suggest contracting directly with the client by the service provider

Dependent claim 15 additionally recites “contracting directly with the client by the service provider.” The Appellant respectfully submits that these elements of claim 5 are not disclosed by the combination of Gates and Alexander.

The Examiner cites column 1, lines 16-18 of Gates to allegedly disclose these elements of claim 15. See Office Action, page 10. The Examiner provides no argument in support of the rejection based on the cited section of Gates. See Office Action, page 10. The cited section of Gates states “[d]ue to the complexity of computing the appropriate wages, withholdings, and credits for employees, many employers hire third party payroll services to prepare the payroll for the company.” This section of Gates does not discuss contracting between the employer and an ACH service provider. The Examiner has generally relied on Alexander to disclose a general concept of outsourcing. However, in general outsourcing, there is no contract between a client and a service provider as claimed, rather, the contracts are between the client and the entity outsourcing the services and also between the entity outsourcing services and the service provider.

The Examiner has provided no argument or citation to Gates or Alexander to indicate that such a direct contract would be obvious or even desirable. In the conventional outsourcing scenario, requiring a client to have direct contract with an outsourced service would not be desirable for the entity outsourcing the service. It would be an additional business hurdle and also enable the client to directly obtain the service without using the entity outsourcing the

service. Therefore, Gates combined with Alexander does not render obvious each of the elements of claim 15. Accordingly, it is requested that the obviousness rejection of claim 15 be reversed.

B. Rejection of Claims 5 and 6 under 35 U.S.C. § 103(a) Based on Gates, Alexander and Crapo

The Examiner has rejected claims 5 and 6 under 35 U.S.C § 103(a) as being unpatentable over Gates in view of Alexander and in further view of U.S. Patent No. 5,987,433 issued to Crapo (hereinafter “Crapo”). The Appellant respectfully requests reversal of these rejections, because the cited references do not teach or suggest all the claim limitations. Claims 5 and 6 depend from independent claim 1 and incorporate the limitations thereof. Thus, at least for the reasons mentioned above in regard to independent claim 1, these claims are not obvious over Gates and Alexander. The Examiner has not relied upon and the Appellant has not discerned any part of Crapo that cures the above-noted defects of Gates and Alexander.

Further, claims 5 and 6 depend from claim 4. Thus, at least for the reasons mentioned above in regard to dependent claim 4, these claims are not obvious over Gates and Alexander. The Examiner has not relied upon and the Appellant has not discerned any part of Crapo that cures the above-mentioned defects of Gates and Alexander. Accordingly, the Appellant respectfully requests that the obviousness rejection of these claims be reversed.

C. Rejection of Claim 14 under 35 U.S.C. § 103(a) Based on Gates, Alexander and Marks

The Examiner has rejected claim 14 5 under 35 U.S.C § 103(a) as being unpatentable over Gates in view of Alexander and in further view of U.S. Patent No. 5,117,356 issued to


Marks (hereinafter “Marks”). The Appellant respectfully requests reversal of these rejections because the cited references do not teach or suggest all the claim limitations. Claim 14 depends from independent claim 1 and incorporates the limitations thereof. Thus, at least for the reasons mentioned above in regard to independent claim 1, these claims are not obvious over Gates and Alexander. The Examiner has not relied upon and the Appellant has not discerned any part of Marks that cures the above-noted defects of Gates and Alexander. Accordingly, the Appellant respectfully requests that the obviousness rejection of claim 14 be reversed.

In view of the foregoing, the Appellant respectfully requests that the Board overturn all the above rejections in connection with pending claims 1-22.

Respectfully submitted,

BLAKELY, SOKOLOFF, TAYLOR & ZAFMAN LLP

Dated: 6/6, 2011


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Melissa Stead 6-6, 2011

VIII. CLAIMS APPENDIX

1. (Previously Presented) A method comprising:

receiving at least one ACH transaction by a computer system executing a payroll ACH service from a payroll vendor for a client of the payroll vendor, the payroll ACH service provided by a payroll ACH service provider that is separate from the payroll vendor;

verifying the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider, the verifying including error checking of the at least one ACH transaction by the computer system;

executing the at least one ACH transaction by the payroll ACH service of the payroll ACH service provider; and

limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll ACH service of the payroll ACH service provider.

2. (Original) The method of claim 1, wherein limiting financial risk includes requiring a direct debit procedure.

3. (Original) The method of claim 1, wherein the at least one ACH transaction is received in a single batch from the client.

4. (Original) The method of claim 1, further comprising:

forecasting available funds for an account.

5. (Original) The method of claim 4 further comprising:

establishing predetermined types of investment objectives.

6. (Original) The method of claim 4 further comprising:

investing available funds based on forecasted availability.
7. (Original) The method of claim 1, further comprising:

accumulating tax payment data for off site back up.
8. (Original) The method of claim 1, wherein the verification of the at least one ACH transaction includes comparing year to date transaction data.
9. (Previously Presented) The method of claim 1, further comprising:

assuming by the payroll ACH service provider of liability for non sufficient fund returned items on behalf of the payroll vendor.
10. (Original) The method of claim 1, further comprising:

notifying the client regarding one of negative and positive tax balances.
11. (Original) The method of claim 1, further comprising:

testing files for one of an additional client and missing client.
12. (Original) The method of claim 1, further comprising:

verifying one of an additional employee and an additional bank account.
13. (Original) The method of claim 1 further comprising:

placing available funds in a trust management system.
14. (Original) The method of claim 1 further comprising:

using a double entry accounting system in processing transactions.

15. (Previously Presented) The method of claim 1, further comprising:

contracting directly with the client by the service provider.
16. (Previously Presented) The method of claim 1, further comprising:

allowing the client to use a federal reserve bank account number of the service provider.
17. (Original) The method of claim 1, further comprising:

testing files for duplicate client batches for a payroll check date.
18. (Original) The method of claim 1, further comprising:

separating a set of charges between the payroll vendor and the client.
19. (Original) The method of claim 1, wherein all ACH transactions are received in a single file per client from the vendor and a single debit is generated.
20. (Previously Presented) A method comprising:

receiving a file containing ACH related data from a payroll vendor for a client of the payroll vendor;

checking the ACH related data in the file for erroneous data;

determining a risk management scheme for the ACH related data to protect the payroll vendor by a computer system of the payroll ACH service provider, the risk management scheme including a balance check for the ACH related data of the client and a control interface to view error and balance data and to execute corresponding ACH transactions; and

processing the ACH related data by the payroll ACH service of the payroll ACH service provider according to the risk management scheme, the payroll ACH service provider being separate from the payroll vendor.

21. (Original) The method of claim 20, further comprising:

verifying the ACH related data against prior transaction history data.
22. (Original) The method of claim 20, further comprising:

checking the ACH related data for one of an additional client and a missing client.

IX. EVIDENCE APPENDIX

A Declaration Pursuant to 37 C.F.R. § 1.132 with exhibits filed September 2, 2010 and entered in the record with the Office Action of October 7, 2010 at page 2.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application for:

Alden J. Blowers

Serial No. 10/678,326

Filed: October 3, 2006

For: METHOD FOR PROVIDING
COMPREHENSIVE ACH VENDOR
SERVICES

Examiner: Paul W. Shumate

Art Unit: 3693

Confirmation No. 2584

DECLARATION PURSUANT TO 37 C.F.R. §1.132

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Sir:

I, Alden J. Blowers, hereby declare that:

1. I am a chief executive officer of Cachet Banq, Inc.
2. I am the Inventor and owner of the above-identified patent application
3. I have reviewed U.S. Patent 6,411,938 issued to Gates et al ("Gates"), U.S. Patent 5,987,433 issued to Crapo ("Crapo"), U.S. Patent 5,117,356 issued to Marks ("Marks") and Alexander, Marcus and Young, "Strategic Outsourcing," Long Range Planning, 29 February 1996:116-119 ("Alexander") and the rejections under 35 U.S.C § 103, asserted by the U.S. Patent and Trademark Office against all of the pending claims of the present application, namely claims 1-22 and believe that these claims should be considered non-obvious over Gates, Crapo, Marks and Alexander based on the evidence provided herewith.

4. Our product FLEXACH[®] implements each of the elements of the pending claims, including “receiving at least one ACH transaction by a computer system executing a payroll service from a payroll vendor for a client of the payroll vendor” where a payroll service provider “is separate from the payroll vendor,” “verifying the at least one ACH transaction by the payroll service of the payroll service provider, the verifying including error checking of the at least one ACH transaction,” “executing the at least one ACH transaction by the payroll service of the payroll service provider,” “executing the at least one ACH transaction by the payroll service of the payroll service provider” and “limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll service of the payroll service provider.” Other elements included in the FLEXACH[®] service include “checking the ACH data for erroneous data,” “determining a risk management scheme for the ACH related data to protect the payroll vendor,” “processing the ACH related data by a payroll service provider according to the risk management scheme, the payroll service provider separate from the payroll vendor,” “using a double entry accounting system in processing transactions” and retesting various recited aspects of the files prior to processing amongst the other aspects of the FLEXACH[®] service. Since all of the features recited in the independent claims are embodied in the FLEXACH[®] service, there is a clear equivalence between the FLEXACH[®] service and the claimed invention in the above-referenced patent application.

5. The commercial success of this product is evidence of the non-obviousness of the claimed invention and the commercial success has a nexus with the elements of the claims of the above-referenced patent application. We conducted a survey of all of our FLEXACH[®] service customers to determine what features of the service were important in their decision to utilize the FLEXACH[®] services and also in their decision to continue to utilize the FLEXACH[®] services. This survey was conducted in April and May of 2010. See survey form (Exhibit A). All of our customers completed the survey and all of our customers indicated that the “error checking, balancing and control features provided in the instantaneous confirmation report in the Cachet only ACH (FLEXACH[®])” was an important feature that caused them to select the FLEXACH[®] services and continue to use the FLEXACH[®] services. These “error checking, balancing and control features,” as they are understood by our customers, correlate to the elements of “verifying the at least one ACH transaction by the payroll

service of the payroll service provider, the verifying including error checking of the at least one ACH transaction” and “limiting financial risk by providing balancing information and control of the ACH transaction execution to the payroll vendor through the payroll service of the payroll service provider.” The elements of “receiving at least one ACH transaction by a computer system executing a payroll service from a payroll vendor for a client of the payroll vendor” where a payroll service provider “is separate from the payroll vendor,” and “executing the at least one ACH transaction by the payroll service of the payroll service provider” are inherent aspects of the FLEXACH[®] services. Thus, the elements of the claims have a nexus with the commercial success of the FLEXACH[®] services, because the features of the claims have been identified by customers as the reason that they purchased the product. This directly relates the commercial success of the product to the elements of the claims.

6. The attached graphs (Exhibits B-E) show the growth of our business through contracts with clients and the client transactions through our FLEXACH[®] service. We began offering the FLEXACH[®] service in February 2004. From 2004 to the present day our FLEXACH[®] service has been enormously successful. The client numbers depicted in Exhibit B are the total number of clients contracting for the use of FLEXACH[®] during the respective years. The client numbers have grown dramatically each year through to the present.

Similarly, the revenues generated from the FLEXACH[®] service (Exhibit C) have followed a similar course of dramatic increase from the point of the introduction of the FLEXACH[®] service. Exhibits D and E demonstrate that not only have the number of customers utilizing the FLEXACH[®] service increased, but also their reliance on the features of service have dramatically increased.

7. Cachet Banq and the FLEXACH[®] service do not have other market advantages to leverage to create the commercial success that is demonstrated by the FLEXACH[®] service in the attached Exhibits. To the contrary, ADP, Paychex and Ceridian dominate the payroll services market. Further, the FLEXACH[®] service has not had an extensive marketing campaign and the other features of the FLEXACH[®] service do not distinguish it from the services offered by competitors such as ADP, Paychex and Ceridian. Thus, the commercial success of the FLEXACH[®] service is primarily based on the features discussed above and recited in the claims and not based on extrinsic factors.

attached Exhibits. To the contrary, ADP, Paychex and Ceridian dominate the payroll services market. Further, the FLEXACH[®] service has not had an extensive marketing campaign and the other features of the FLEXACH[®] service do not distinguish it from the services offered by competitors such as ADP, Paychex and Ceridian. Thus, the commercial success of the FLEXACH[®] service is primarily based on the features discussed above and recited in the claims and not based on extrinsic factors.

8. The features of FLEXACH[®] including the "error checking," "balancing" and "control," which are provided by Cachet as a payroll ACH service provider to payroll vendors is a combination of services that is not provided by our competitors in this form. By providing these features as a payroll ACH service provider the risk from executing ACH transactions as part of the overall payroll process is reduced due to this additional level of checking that is performed in advance of the ACH transactions being forwarded to the banking network and importantly this reduces the financial risk for the payroll vendor.

9. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the above-identified application or any patent issued thereon.

Respectfully submitted,

Dated: 8/28, 20010



Alden J. Blowers

CEO Cachet Banq, Inc.

Enclosures: Exhibit A (Survey Form)
Exhibit B (Total Number of Customers Graph)
Exhibit C (Total Revenues Graph)
Exhibit D (Total Number of Transactions Graph)
Exhibit E (Dollar Value of Processed Transactions Graph)

EXHIBIT A

1. When you call Cachet, do the receptionists answer the phone in a courteous and professional manner? Please list their name(s) and any comments below.

- ☐ Yes
☐ No

Additional Comments

--

2. Is Cachet Customer Service knowledgeable and accommodating to your needs?

- ☐ Extremely
☐ Very
☐ Somewhat
☐ Not very
☐ Not at all

3. Is Cachet Customer Service friendly and helpful? Please list their names and any comments below.

- ☐ Always
☐ Usually
☐ Sometimes
☐ Rarely
☐ Never

Additional Comments

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4. Are your calls returned by Cachet in a timely manner?

- ☐ Always
☐ Usually
☐ Sometimes
☐ Rarely
☐ Never

5. Are your emails returned by Cachet in a timely manner?

- ☐ Always
☐ Usually
☐ Sometimes
☐ Rarely
☐ Never

6. How would you rate your experience and customer service when dealing with NOCs and/or NSF Notifications? Please share any comments and specific details of your experiences.

- ☐ Very positive
- ☐ Somewhat positive
- ☐ Somewhat negative
- ☐ Very negative

Additional Comments

7. How accurate are your invoices?

- ☐ Always accurate
- ☐ Usually accurate
- ☐ Sometimes accurate
- ☐ Rarely accurate

8. Are issues related to your invoices resolved quickly and to your satisfaction? Please list any additional comments below.

- ☐ Always
- ☐ Usually
- ☐ Sometimes
- ☐ Rarely
- ☐ Never
- ☐ Not Applicable

Additional Comments

9. How would you rate our online ACH system? Please list any specific details or comments below.

- ☐ Good, I do not usually have problems
- ☐ Fair, but I have had some problems
- ☐ Poor, the system could use improvements

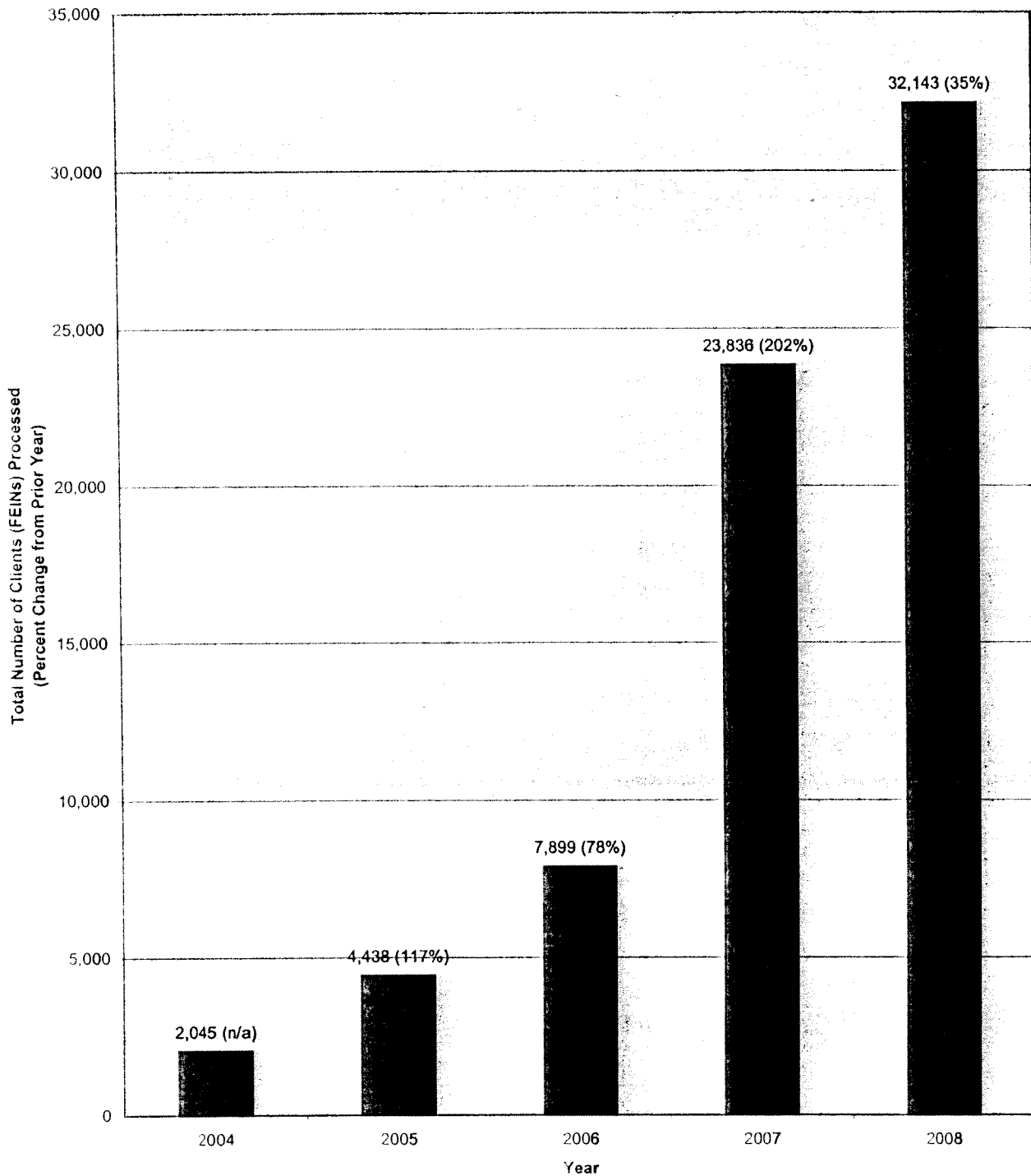
Additional Comments

10. Would the ability to view your billing online (i.e., monthly ACH invoices) be beneficial to your company?

- ☐ Yes, very beneficial
- ☐ Somewhat beneficial
- ☐ No, this is not important to our company

EXHIBIT B

**Total Number of Clients (FEINs) Processed
2004-2008**



Number of Companies Processed
for 12 months ending
June 30, year noted

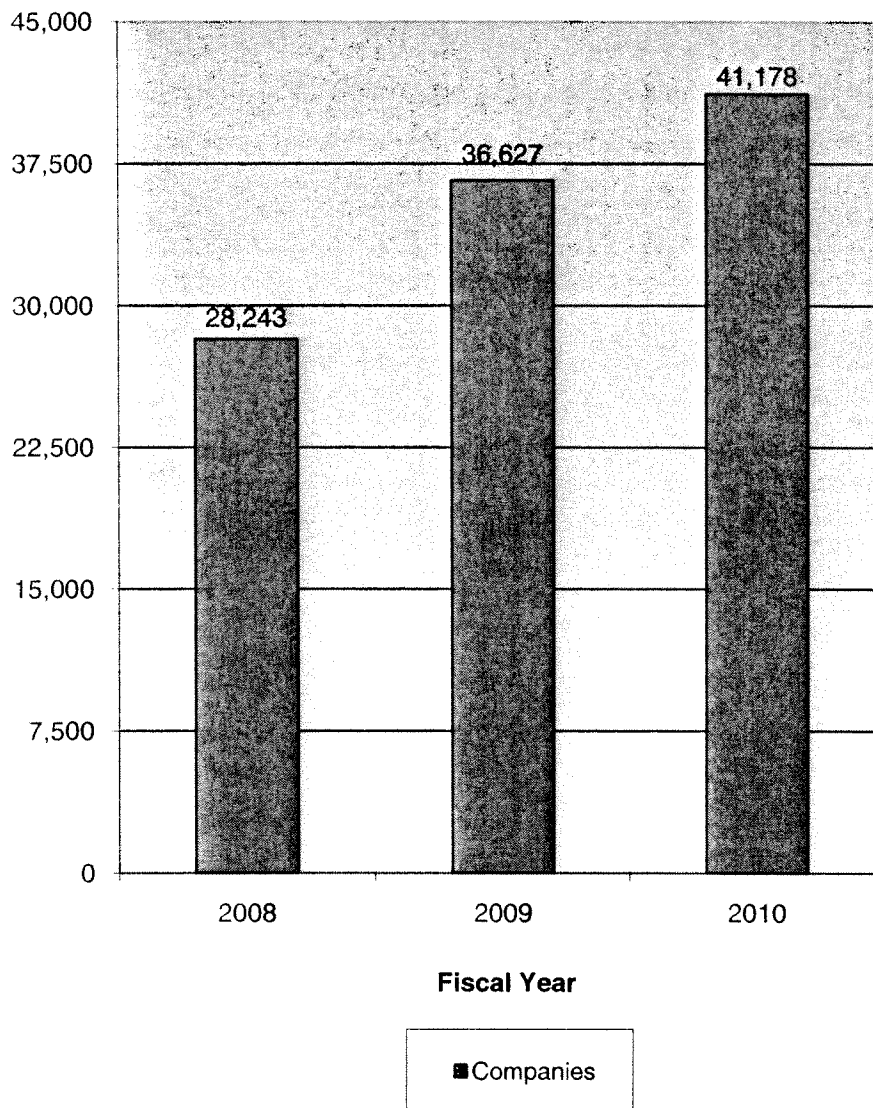
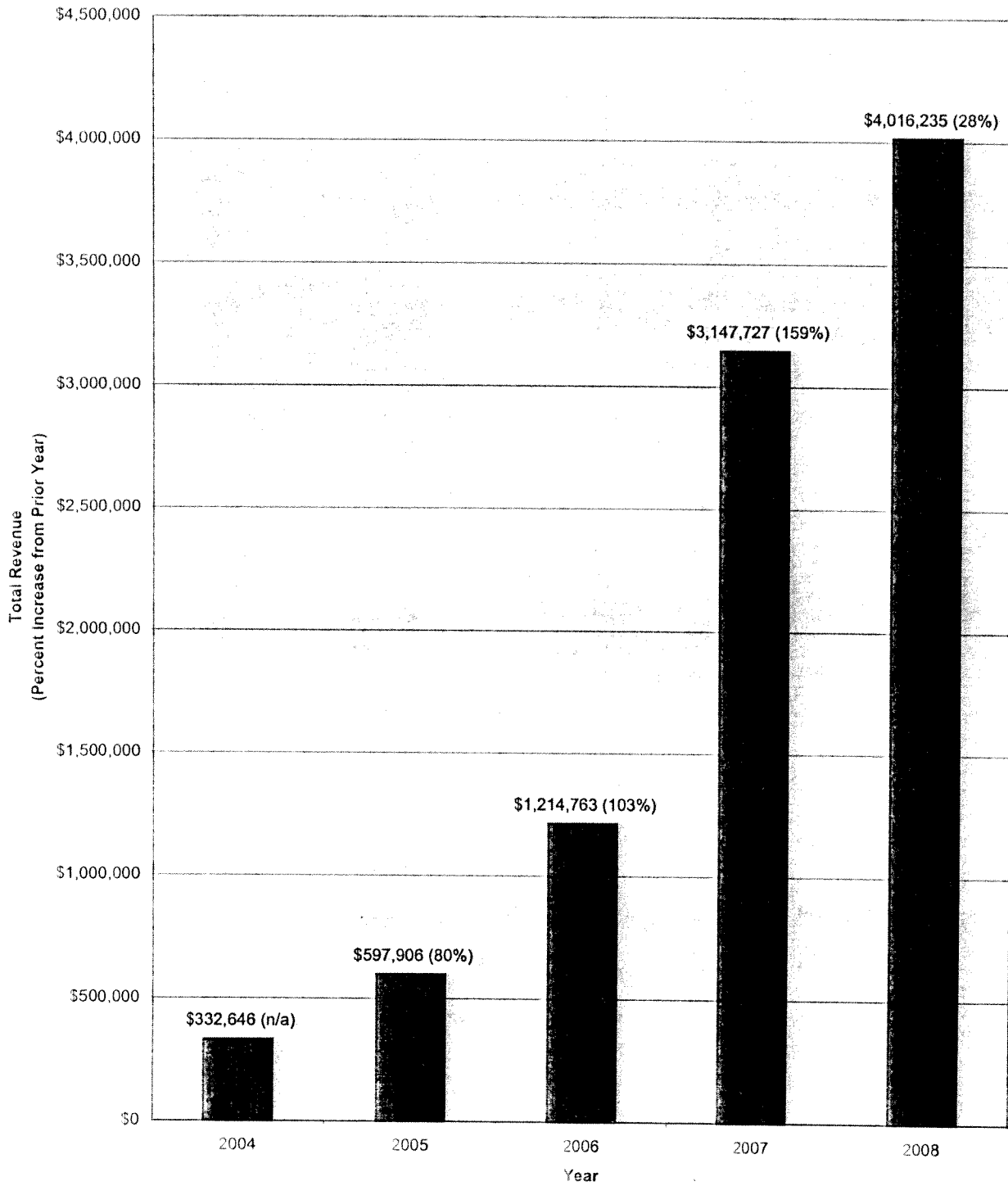
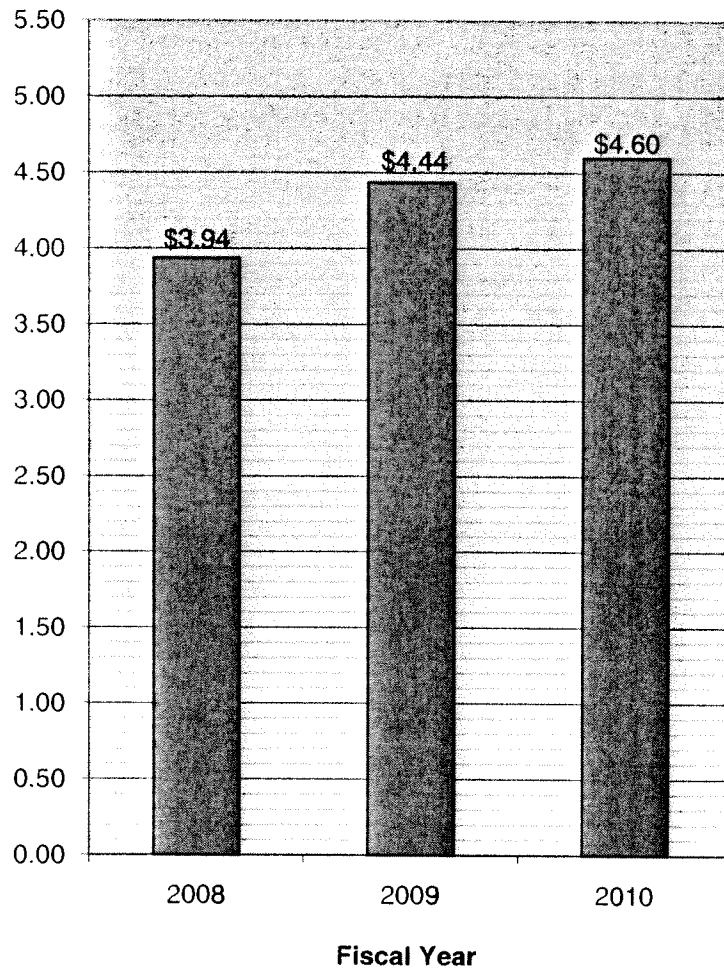


EXHIBIT C

**Total Revenue
2004-2008**



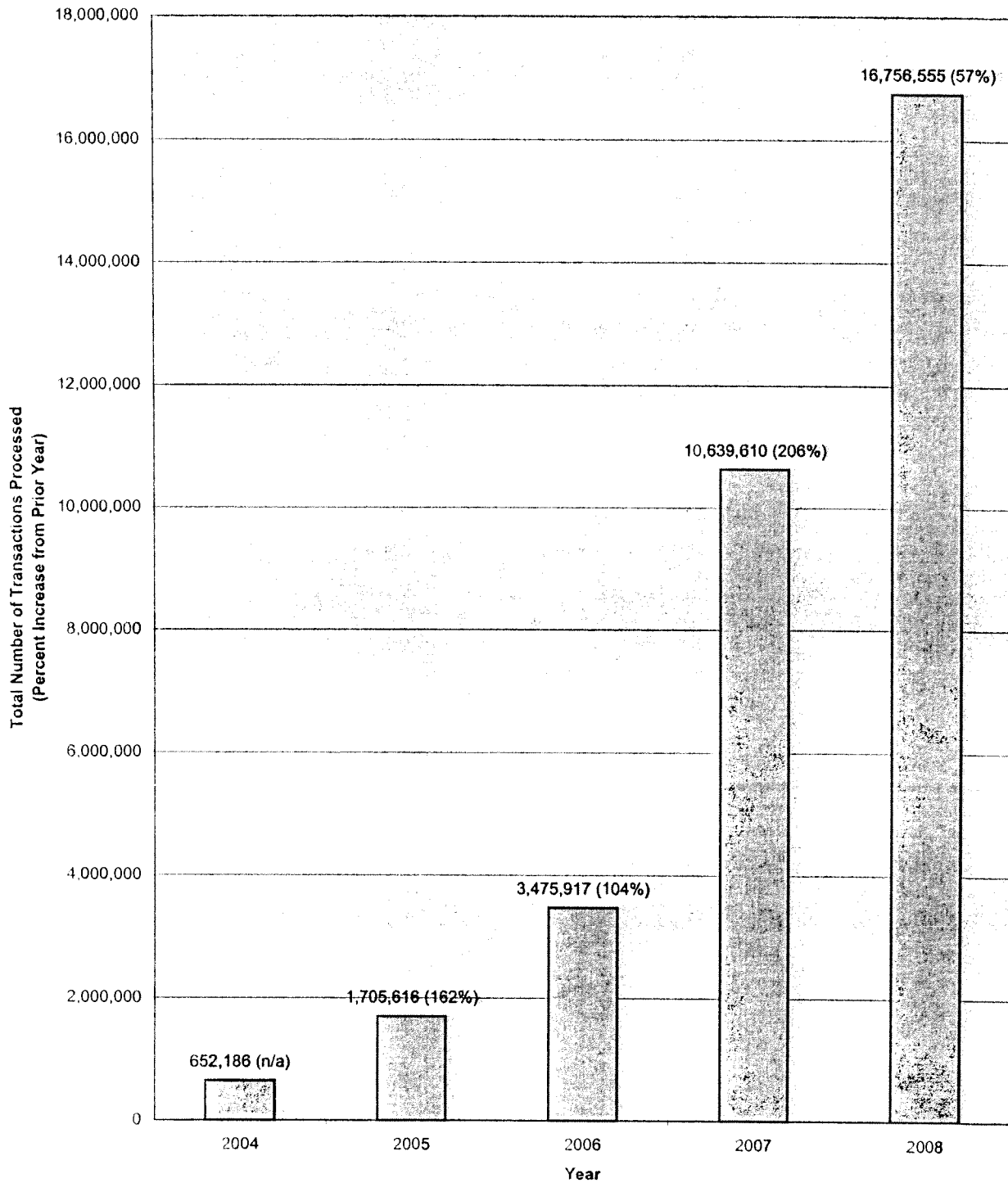
Revenues Generated for 12 months ending June 30, year noted



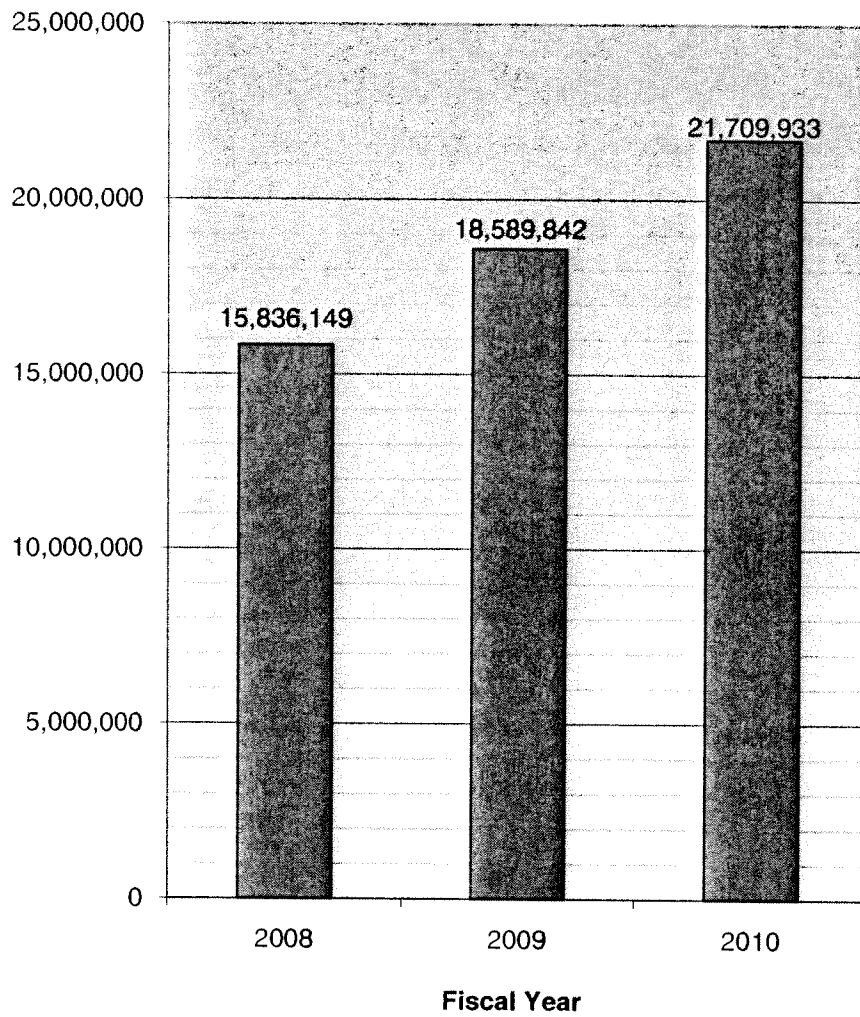
■ Revenues (amt in Millions)

EXHIBIT D

**Total Number of Transactions Processed
2004-2008**



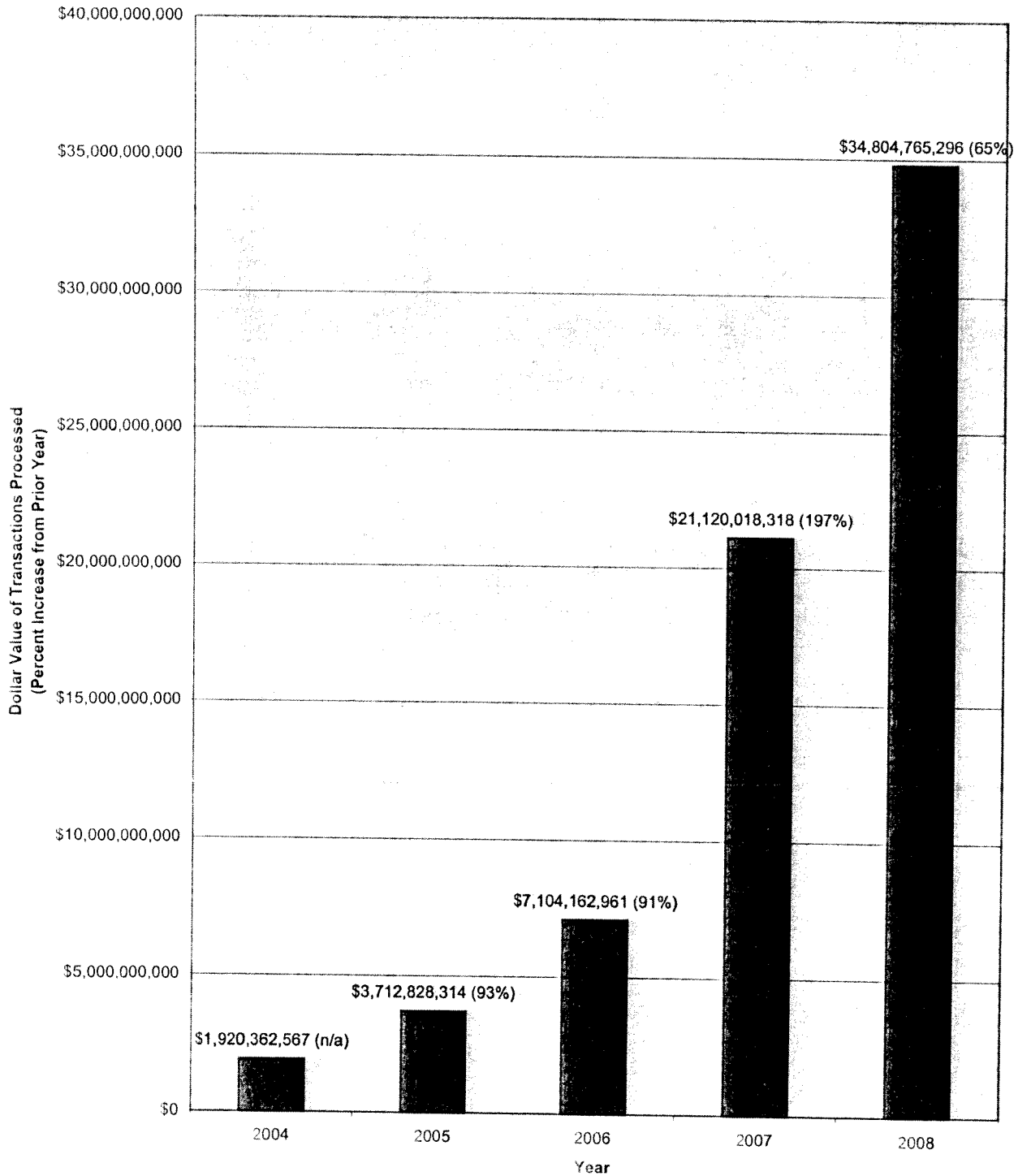
Number of Transactions Processed
for 12 months ending
June 30, year noted



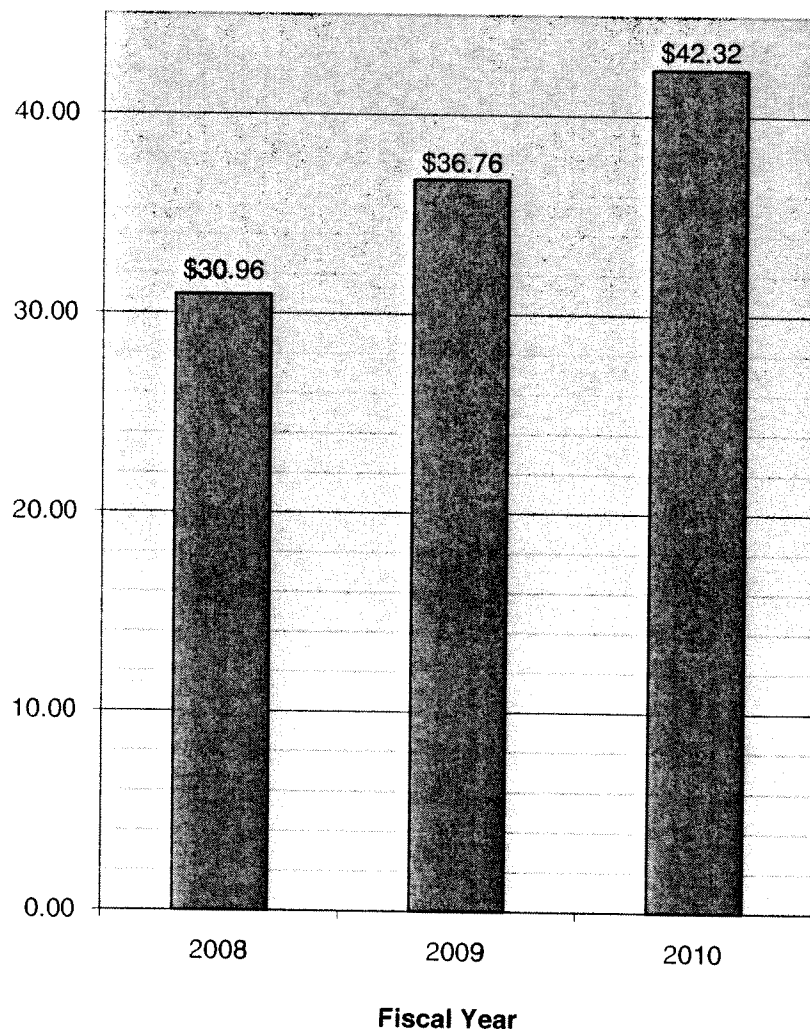
■ Transactions

EXHIBIT E

**Dollar Value of Transactions Processed
2004-2008**



**Dollars of Transactions Processed
for 12 months ending
June 30, year noted**



■ Dollars (amt in Billions)

X. RELATED PROCEEDINGS APPENDIX

No related proceedings exist.